

FISCAL NOTE

Ordinance/Motion No. 00-
Title: Memorandum of Understanding between King County, the City of Seattle and ArenaCo regarding the development of a multi-purpose arena
Affected Agency and/or Agencies:
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Impact of the above legislation on the fiscal affairs of King County is estimated to be:

Revenue to:

Fund/Agency	Fund	Revenue	Current Year ¹	3rd Year	4th Year	5th Year
	Code	Source				
City/County Partnership Entity ²	TBD	LTGO Bonds	0	80,000,000		
LTGO Fund ⁴	8400	Partnership	0	5,200,000	5,300,000	5,300,000
TOTAL			0	85,200,000	5,300,000	5,300,000

Expenditures from:

Fund/Agency	Fund	Department	Current Year	3rd Year	4th Year	5th Year
	Code					
King County LTGO Bonds	8400	A46500	0	80,000,000		
King County Debt Service ³	8400	A46500	0	5,200,000	5,300,000	5,300,000
TOTAL			0	85,200,000	5,300,000	5,300,000

Expenditures by Categories

	Current Year	3rd Year	4th Year	5th Year
Contribution to City/County Entity for Capital	0	80,000,000		
Debt Service ³	0	5,200,000	5,300,000	5,300,000
TOTAL	0	85,200,000	5,300,000	5,300,000

Assumptions:

¹ There is no fiscal impact related to debt in the "Current Year". It is not anticipated there will be any fiscal impacts until the third year after construction begins, at which time the County will issue debt. Fiscal note assumes county bonds will be sold in the third year, with debt service also beginning in third year. In addition to the construction period, design and permitting will likely take one to two years, so the County's debt likely won't be issued until 2016 or 2017.

² City/County Partnership Entity will conduct financial transactions with ArenaCo on behalf of Seattle and King County. This includes disbursing bond proceeds and collecting revenue generated as a result of the arena.

³ Debt service is based on the following assumptions: \$80,000,000 in taxable bonds issued in 2016, 30-year term, 5.5% interest. Debt Service payments will escalate from \$5,200,000 to \$5,800,000 in the first 10 years and will be level thereafter.

⁴ King County will transfer money from the pool to cover annual debt service payments. The revenue sources include property tax, sales tax, admissions tax, B&O tax, leasehold excise tax, and rental payments from ArenaCo. Average annual forecast collections from each revenue source for the entire pool are listed below.

City Property Tax	\$900,000
City Sales Tax	\$300,000
City Admission Tax	\$5,800,000
City B&O Tax	\$1,300,000
City Leasehold Tax	\$200,000
County Property Tax	\$250,000
County Sales Tax	\$50,000
County Leasehold Tax	\$100,000
ArenaCo Rent	\$5,700,000

Debt service funding for County debt will be approximately \$400,000 annually from County taxes and the rest from City taxes and rental payments from ArenaCo.

Additional Notes:

- Per the Inter-local Agreement (ILA), King County's obligation will be \$80 million if the conditions related to the NHL franchise are satisfied as of the transfer date of the property. If conditions are not satisfied, the County is limited to the lesser of an amount supported by the County's portion of anticipated property tax revenues related to the arena and arena improvements or \$5 million.
- Per the Memorandum of Agreement (MOU), debt service payments will be funded by base rent, arena tax revenues, and additional rent sufficient to pay county financing obligations.
- Per the MOU, security provisions will be put in place to decrease the likelihood of default. These include a reserve account set at a minimum of one year's debt service obligation, annual certification that Net Arena Revenues for the preceding fiscal year are at least two times the amount required for the following year's total City and County debt service, first priority payment position senior to any private debt service, and a guarantee of ArenaCo's obligations by the parent company that owns both ArenaCo and the teams. Agreements with the team(s) will include non-relocation provisions and rights to a portion of the revenues from the sale of the team if required.
- The MOU provides up to \$5M in reimbursement for costs associated with development of the MOU and other work. It is not known at this time how much, if any, of this amount will be available to the county.